



Lord Hill of Oareford

Parliamentary Under Secretary of State for Schools

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Baroness Morgan of Drefelin
House of Lords
London
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Dear Drefelin,

27th June 2010

ACADEMIES BILL

On the first day of Committee on Monday I promised to write to you to explain in greater detail the financial assistance provisions in clause 1 (2) of the Bill.

We envisage that the vast majority of Academies will continue to be funded through a funding agreement, which is the Academy agreement referred to in clause 1 (2) (a). This is an individually-negotiated contract between the Secretary of State and the Academy Trust, the legal entity that will run the Academy, and contains all the terms and conditions attached to the funding from the Secretary of State to the Academy Trust. Annexed to and forming part of the funding agreement are individual annexes covering admissions, special educational needs (SEN) and exclusions. A funding agreement must last for a minimum of seven years, or indefinitely, but terminable by the Secretary of State giving at least seven years' written notice. We will make a model funding agreement available in due course.

You asked me to clarify in particular clause 1 (2) (b), covering Academy financial assistance. The Secretary of State currently has powers to make grant arrangements under section 14 of the Education Act 2002. Clause 1 (2) (b) of this Bill would enable the Secretary of State to use these powers in respect of Academies. Academies funded through grant funding would have the conditions of their grant outlined in a grant letter (with terms and conditions of grant attached) from the Secretary of State. Academies funded by a grant will have the same characteristics as other Academies set out in clauses 1 (5) and (6). I can assure you that the provisions regarding admissions, exclusions and SEN would be the same as those in the funding agreement.

A grant arrangement does not need to have a minimum funding period. At the end of the period for which funding had been granted, it would be open to the Secretary of State to continue grant funding to the Academy Trust, either on the same or on different terms. The Secretary of State is under a duty to act reasonably when making any changes to funding and would only do so after discussion with the Academy Trust.

I would expect that Academies will be likely to prefer to be funded through the funding agreement, which would give them greater certainty. However, in some cases it may be sensible to fund them via a grant. The ability to fund through grant would provide the Secretary of State with greater flexibility, for example in response to innovative proposals for a free school.

Yours,

A handwritten signature in black ink, appearing to read 'Jonathan Hill', written in a cursive style. The signature is positioned above the printed name.

JONATHAN HILL